

CITY OF MOVILLE
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015

Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant's Report on Applying Agreed-Upon Procedures	4-5
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 7
Monthly Bank Reconciliations	B 7
Petty Cash	C 7
City Council Minutes	D 7-8
Payroll	E 8
Form 1099s	F 8
Certified Budget	G 8
Financial Condition	H 8
Revenue Bonds	I 8
Annual Financial Report	J 8

CITY OF MOVILLE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Fisher	Mayor	January, 2016
Nate Bauer	Council Member	January, 2016
Russ Spotts	Council Member	January, 2016
Al Wingert	Council Member	January, 2016
Kirk Lubbers	Council Member	January, 2018
Jacob Thomas	Council Member	January, 2018
Jackie Stender	City Clerk	Indefinite
Glen Metcalf	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Merville for the period July 1, 2014 through June 30, 2015. The City of Merville's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa
11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is the expression of an opinion on financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Merville, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Merville and other parties to whom the City of Merville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Hunzelman, Putzier & Co., PLLC

April 1, 2016

DETAILED RECOMMENDATIONS

CITY OF MOVILLE
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Utilities – billing, collecting, depositing and posting.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Monthly Bank Reconciliations – The cash balances in the City’s general ledger did not properly reconcile to the bank account balances for two of the months reviewed. In addition, it was noted the reconciliations were not reviewed by an independent person.

Recommendation – The City should ensure bank account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. The City should implement a procedure to have an independent person review and authorize monthly bank reconciliations prepared by the City Clerk such as the Mayor or member of the City Council. Authorization should be documented by the initials of the reviewer as well as the date of the review.

- (C) Petty Cash – The City’s petty cash funds were not included in the City’s accounting records and resulting fund balances.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate detailed statement of all public funds collected, received, or expended for any City purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City funds and accounts, including petty cash, should be included in the Clerk’s accounting system.

- (D) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting and include total disbursements from each fund and a summary of receipts. Meeting minutes from three of the meetings tested were not published within fifteen days. Minutes publications for all meetings tested did not include total disbursements for each fund or a summary of receipts.

CITY OF MOVILLE
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

(D) City Council Minutes – (Continued)

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of each meeting and the published minutes should include total disbursements by fund and a summary of receipts, as required.

(E) Payroll – The City Council approves all pay increases, however, wage increases were approved as a percentage rather than by specific dollar amounts.

Recommendation – Specific wage rates of all employees should be adequately documented in the City Council minutes.

(F) Form 1099s – The IRS requires entities to file a Form 1099 for each person or entity, with the exception of corporations, to whom you have paid at least \$600 during the year for rents and services. The City did not file the required Form 1099s for the calendar year 2014.

Recommendation – The City should file all required IRS tax form, including Form 1099s, for applicable payments made during the year

(G) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the Community and Economic Development and Culture and Recreation functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

(H) Financial Condition – At June 30, 2015 the City had a deficit balance of \$59,626 in the Tax Increment Financing (TIF) Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

(I) Revenue Bonds – The provisions of the sewer revenue bonds require sufficient monthly transfers be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The City has established the sewer revenue bond sinking account. However, the bond payments were made from the debt service fund.

Recommendation – Although a transfer was made from the Sewer to Debt Service fund, the City should make the bond principal and interest payments from the Sewer fund.

(J) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's Annual Financial Report reported receipts, disbursements and fund balances which do not agree with the City's records.

Recommendation – The City should ensure future Annual Financial Reports agree with the City's records.